

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 TRSE-00 AID-20 IGA-02 COME-00

OMB-01 OPIC-12 CIAE-00 INR-10 NSAE-00 RSC-01 DRC-01

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R 101605Z OCT 73

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 7344

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E.O. 11652: N/A

TAGS: EFIN, BDIS, EIND, EMIN, IDB, PE

SUBJ: POSSIBLE DEOBLIGATIONS ON IDB LOANS TO PERU

REF: FINBERG TO KLEINE LETTER DATED OCTOBER 3

1. EMBASSY HAS LEARNED THAT IDB (AT STAFF LEVEL) IS CONSIDERING DEOBLIGATION OF TWO LOANS TO PERU BECAUSE OF SLOW RATE OF DISBURSEMENT. WE ALSO UNDERSTAND THAT ORTIZ MENA WILL DISCUSS LACK OF PROGRESS ON THESE TWO LOANS AS WELL AS ON TWO OTHER LOANS DURING HIS FORTHCOMING VISIT TO PERU. LOANS SLATED FOR POSSIBLE DEOBLIGATION ARE IDB LOANS NOS. 179- BANCO DE LA VIVIENDA AND 277- AGRICULTURE (IRRIGATION). ADDITIONAL LOANS WHICH ORTIZ MENA WILL DISCUSS ARE NOS. 266- CRYRZA (REHABILITATION) AND 297- TRANSPORT (JAEN-SAN IGNACIO ROAD).

2. EMBASSY REQUESTS THAT WE BE AFFORDED OPPORTUNITY TO COMMENT SHOULD IDB STAFF LEVEL STUDY RESULT IN RECOMMENDATION TO DEOBLIGATE. PURPOSES FOR WHICH LOANS MADE CONTINUE TO APPEAR WORTHY OF SUPPORT, AND THERE MAY BE GOOD REASONS FOR APPARENTLY SLOW DISBURSEMENT. WE UNDERSTAND THAT TECHNICAL GROUNDS DO EXIST FOR EXTENDING THE FINAL DISBURSEMENT DATES OF RELEVANT LOANS, SINCE THESE LOANS RELATIVELY NEW AND HAVE NOT HAD USUAL

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NUMBER OF EXTENSIONS GRANTED IDB LOANS.

3. FURTHER, DEOBLIGATION OF LOANS, PARTICULARLY WERE U.S. TO APPEAR TO HAVE HAD A HAND IN PROCESS, WOULD ALMOST CERTAINLY BE MISUNDERSTOOD AND RESENTED BY GOP, PARTICULARLY AT THIS TIME. MOVE WOULD BE SEEN AS RETURN TO U.S. POLICY OF USING IFI'S TO BRING PRESSURE ON PERU TO SETTLE INVESTMENT DISPUTES. MOREOVER, GOP OFFICIALS, INCLUDING PRESIDENT, HAVE GONE TO SOME LENGTHS TO SAY PUBLICLY THEY DO NOT BELIEVE USG INVOLVED IN RECENT ACTIONS BY CERRO CORPORATION. DEOBLIGATIONS COULD BE REGARDED AS USG STEP IN SUPPORT OF CERRO. OUR CURRENT EFFORTS TO RESOLVE INVESTMENT DISPUTES AND TO REESTABLISH MORE OPEN AND FRIENDLY RELATIONSHIP WITH PERU COULD BE JEOPARDIZED. BELCHER

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